

Utilities prove tough sell for nearby towns

By BRIAN SLUPSKI
bslupski@nwherald.com

CRYSTAL LAKE - After losing water for three days in January 2003 and having to shut down his business, Around the Clock restaurant owner Fano Theofanous had had enough.

"There was a water main break, and it took them three days to dig down 4 1/2 feet," Theofanous said.

So Theofanous paid thousands of dollars to hook up to Crystal Lake's water system.

Since opening in 1975, the restaurant had been served by Crystal Clear Water Co., one of five utilities owned by T.P. Mathews.

"It was a dependability issue," Theofanous said. "Every time power would go out, we would lose water pressure."

Mathews has acknowledged that he doesn't have a backup power supply. If power were to go out for an extended period of time, he would have to rent a generator to power his pumps at Crystal Clear Water, which serves the Manor subdivision.

Mathews has filed for federal bankruptcy protection because his companies - Crystal Clear Water, Highland Shores Water, McHenry Shores Water, Wonder Lake Water, and Northern Illinois Utilities Inc. - owe ComEd \$298,000. Mathews said ComEd has overcharged him.

Mathews, 75, said he is planning to retire, and there is some question as to the future of the companies. The Illinois Commerce Commission has recommended that the five companies be condemned and forcibly sold to Illinois-American Water Co., a large private utility.

Some have suggested that municipalities - Crystal Lake and McHenry - buy and take over some of Mathews' utilities. But for now, that seems unlikely.

In 2002, McHenry officials tried to buy McHenry Shores Water, but no deal was reached.

"Our position was that we really offered a fair price," City Administrator Doug Maxeiner said.

The McHenry Shores subdivision actually has been annexed to McHenry. However, when it was annexed, it stayed on T.P. Mathews' private water system.

"Basically our position is we'd like to be able to provide them water," Maxeiner said.

Mathews has said the system is worth \$3,000 a customer,

Henry officials said they believe that the value is less. Although Maxeiner would not offer specifics, he stated that most of the water system would have to be replaced.

Mathews always has disputed the notion that his water systems need to be revamped.

Chris Johnston, an Illinois Environmental Protection Agency engineer, said all five of Mathews' water companies meet federal health standards.

However, maintenance issues with the companies can lead to water-main breaks and boil orders. For example, the Crystal Clear Water Co. has averaged one hot order a year for the past decade.

"That number of boil orders is slightly high," Johnston said.

Crystal Lake officials have not entertained the idea of buying Crystal Clear Water. The Manor is not part of Crystal Lake, although the city surrounds the subdivision.

"T.P. Mathews is trying to put his problems at our feet," Crystal Lake Mayor Aaron Shepley said. "He has a lot of nerve trying to make his problems Crystal Lake's problem."

Shepley said he feels for Manor residents who are concerned about their water. But the subdivision would have to annex to Crystal Lake, and residents would have to be willing to pay the cost - thousands of dollars each - to hook up to the city's water system.

Mathews said he is not trying to unload a problem.

"I have never talked to the man [Shepley]," Mathews said. "How does he know what condition the company and the water system is in?"

Despite Mathews' insistence that the systems are in good shape, others disagree.

"It's an old system that needs to be upgraded," said John Dalessandro, IEPA regional manager for public water supplies. "Usually, you piecemeal improvements as you go along. But in this case, the whole thing has to go."

Although all this news could alarm the 2,233 households served by Mathews, Commerce Commission attorney James Weging said Mathews' customers will continue to have water.

"It's not like he's [T.P. Mathews] going to go out of business," Weging said. "And I would doubt that any bankruptcy court would shut down

Mathews

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"The complaints we receive from customers tend to be about aesthetics," Johnston said. "There's iron in the water, or it's rusty. Those are reasons people might not be happy with the water, but they're not violations."

However, ComEd is not the only threat that Mathews faces.

The outstanding electric bills alarmed the Illinois Commerce Commission. In June 2003, the commission's staff recommended that all five of Mathews' utilities be condemned and forcibly sold to Illinois-American Water Co., one of the largest private water companies in the country.

Aside from not paying the ComEd bill, commission staff said, Mathews failed to make needed improvements and to maintain Crystal Clear Water Co., which serves the Manor subdivision near Crystal Lake.

The commission has not taken action on the recommendation to seize the utilities, largely because of the bankruptcy filing.

"It's a sad case," Weging said. "If it had gone as we hoped, this would have been resolved."

Mathews disputes the notion that his companies are in trouble.

"The ICC attitude is that there should be no small water companies; they have systematically worked to eliminate small companies," Mathews said, adding that he did not enter bankruptcy to stop the Commerce Commission's proceedings against him.

"They would have a very difficult time trying to force a sale," Mathews said.

As for ComEd, Mathews said that he was being overcharged for years and that ComEd officials told him to stop paying until the billing problem was resolved. Mathews also contends that ComEd placed power lines on his property outside a utility easement. He is demanding that the lines be moved.

Mathews said the disputes with ComEd led him to file for bankruptcy protection. Without power, Mathews' pumps and water service to his thousands of customers would have been jeopardized.

ComEd spokesman Trent Frager said the company cannot comment on specific bills, but he did speak about ComEd's billing policies.

"When a customer is unable to make payments, we will work with them to come up with a schedule," Frager said. "Disconnection is always a last resort."

"In general, I can't think of any occasion where we

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Utilities' owner

pay a bill."

In addition to the ComEd bill, the bankruptcy filing indicates that Mathews' companies owed a combined \$34,285 in property taxes as of March 12, 2003. Other creditors listed included Mathews' bookkeeper and attorney.

According to documents filed with the Commerce Commission, the five companies have combined annual revenues of \$408,017.

At a Commerce Commission hearing in September 2002, Illinois-American Water Co. Vice President Mark Johnson testified that Mathews' water companies needed more than \$6 million in repairs.

When asked what the companies' value was, Johnson said: "None. The vast majority of the systems are worn out or deteriorated, and need to be replaced to provide adequate, reliable and safe service to customers."

Johnson added that the companies "offer little to a prospective purchaser other than the significant engineering, operational and financial challenges to bring them up to modern standards."

Johnson told the commission that Illinois-American would need a rate increase if it were to take over Mathews' companies.

Mathews disputed Johnson's assessment, saying Illinois-American greatly exaggerated repair costs to justify a rate increase.

Mathews said the quality of the water systems is much better than what the commerce commission would have people believe.

The Commerce Commission came down on Mathews after he filed for a rate increase in January 1997 for the Crystal Clear Water Co. A March 1997 public hearing on the increase elicited complaints from residents.

"The customers voiced anger and frustration about the quality of water, company management, service, and the lack of concern and action by the commission and IEPA," Roy King, a commission analyst and architectural engineer, said during testimony in a September 2001 Commerce Commission hearing.

In June 1998, Mathews was granted a 29 percent rate increase, but the commission also issued several orders to improve the water system.

When King followed up to see whether the orders had been implemented, he found that most had not.

Mathews said that regardless of what King told the commission in 2001, most of the improvements since have been made.

"We are paying our bills, conducting all the mandatory tests," Mathews said. "We're running a good system, and we're still putting out an excellent product."

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Rates compared

Water rates for T.P. Mathews' five companies, neighboring municipalities, and Illinois-American Water Co.

T.P. Mathews' companies

Crystal Clear Water Co.
Rate: \$1.17 per 100 cubic feet, plus a \$6 fee
4,000 gallons: \$12.24

Highland Shores
Rate: \$1.75 per 1,000 gallons, plus a \$3.03 fee
4,000 gallons: \$12.07

McHenry Shores
Rate: \$1.93 per 1,000 gallons, plus a \$6 fee
4,000 gallons: \$13.72

Northern Illinois Utilities
Rate: \$2.54 per 1,000 gallons, plus a \$6 fee
4,000 gallons: \$18.16

...

Municipalities

Wonder Lake
Rate: \$1.41 per 1,000 gallons, plus a \$6 fee
4,000 gallons: \$11.84

McHenry
Rate: Water rate is \$2.03 per 1,000 gallons, plus a \$3 fee
4,000 gallons: \$11.12

Crystal Lake
Rate: Water rate is \$1.52 per 1,000 gallons, plus a fee of about \$1.27
4,000 gallons: \$7.35

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Illinois-American

Water Co.
Rate: Water rate is \$3.39 per 1,000 gallons, plus a fee of about \$9.26
4,000 gallons: \$22.61

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